

Your Children's Financial Education



Do your children have a clue about your wealth and what they might inherit?

How would you rank your children's understanding of the basics of saving, spending, investing, and hopefully supporting charities and non-profits? Do you think wealth can empower your children to lead productive, ambitious lives? Or are you afraid that wealth pollutes values, stifles initiative, and breeds a sense of entitlement? Below are some helpful tips on how to keep your children grow into the intelligent, informed, and successful adults that you have always wanted them to be.

The More You Know:

Given the opportunities and pitfalls surrounding wealth, it is surprising that parents are not more engaged in educating their children on the topic. After all, these lessons are not taught in school; they are learned every day at home, in the car, on television, and on the internet. From very early childhood, our children are influenced constantly about wealth, its meaning, and its potential to save lives. This is why it is imperative to instill your views into your children's lives, so they do not get a false impression from the world around them.

Communicate with your children so that there are no surprises when they learn about how much you will or will not be supporting them. Although you may not be inclined to inform your children of your family's wealth out of the fear that it will cause lack of motivation, withholding information could backfire. Whether or not it's appropriate to share a lot of details, it is important to frame the life you want them to have.

If children expect that they will not be financially supported, they may choose careers that they are not passionate about simply because they believe that they will need to earn a large amount of money to continue living the lifestyle they grew up with. As a result, resentment could surface if they would have pursued a different path if they had the knowledge of their incoming wealth.

Avoid the Reinforcement of Conflicting Lifestyles:

Many parents, especially first-generation creators of wealth, want their children to follow the same lessons that they learned while growing up. Examples of those lessons include how nothing in life is guaranteed and success and/or fortune is a result of self-sufficiency and hard work. Unfortunately, it is not as easy to reinforce these same values to children who grow up enjoying a life filled with frequent travel, abundant clothes, electronics, and the freedom of choice to do things with little concern for cost.

Set Boundaries:

Parents need to understand that their actions and spending decisions convey clear messages to their children; they need to be upfront by engaging in conversations with their children early on so that they connect values to their day-to-day experiences. Even though you can afford to buy your children everything they want, sometimes saying no is the best choice when maintaining boundaries. Saying no can limit a sense of entitlement, and it allows children to develop the ability to say no to others.

Stay Away From Surprises:

While you may think that shielding your children from knowledge of their inheritance is beneficial, it could actually have the opposite effect. Keeping an open line of communication with your children is imperative so there are no surprises when they find out how much or how little they will be inheriting.

Therefore, it is always better to be up front and keep an open line of communication in regard to money. You must decide for yourself, should your child live by the means of the career of their choosing? Or will you intervene?

Monitor How Much You Are Financially Assisting Your Child(ren):

Although providing for your children can be perceived as an act of love, giving them too much can actually be a detriment to their growth and character. Even if your children will not need to support themselves, if they are able to work for the things they want, they will experience pride and appreciation for their desires rather than the belief that they can have whatever they ask for.

Consider how much and what form you are assisting your children in. Do you give your child a monthly allowance? Everyone is different, so based on what is right for you and your child, consider perhaps giving them a large sum of money all at once rather than increments. This will teach them wealth management by having to make that money last and spend it appropriately.

If your child is not yet old enough to be in the workforce, encourage getting a part-time job; working minimum wage jobs with less-privileged people is incredibly humbling and eye-opening for your child to learn the value of a dollar. If you do not want to promote dependency or stifle ambition, be conscious on what impact your financial support is having on the skills your child is developing.

Final Thoughts:

Just because you haven't engaged in the topic, do not think that they have not developed their own opinions and impressions of wealth. Children should be encouraged to take sensible risks and experience failure. Parents should be willing to lead the way by setting goals upfront and assume the responsibility of their children's education in order to help them grow into successful and well-adjusted adults with a healthy understanding of wealth.

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